Before the

Federal Communications Commission

Washington, D.C. 20554

In the Matter of	)	
	)	
The Pay Telephone Reclassification and Compensation Provisions of The Telecommunications Act of 1996	)	**CC Docket No. 96-128**
	)	
RBOC/GTE/SNET Payphone Coalition Petition for Clarification	)	**NSD File No. L-99-34**

COMMENTS OF WORLDCOM, INC.
PETITIONS FOR DECLARATORY RULING AND/OR CLARIFICATION OF THE PAYPHONE COMPENSATION SECOND ORDER ON RECONSIDERATION

October 9, 2001

Table of Contents

I. Executive Summary

In its Second Order on Reconsideration, the Commission required the first carrier to whom a compensable payphone call was routed to be responsible for payphone compensation. The Commission also required these "underlying carriers" to track and report toll free and access code numbers delivered from every LEC and the volume of these calls by payphone for each payphone service provider (PSP).

The Commission justified these changes primarily because it was technically infeasible for PSPs *automatically* to receive information whether a payphone call passed from an underlying carrier to a switch based reseller (SBR) was completed. However, the Commission's new compensation policy completely ignores the technical infeasibility of the underlying carrier automatically receiving call completion data from SBRs. Making underlying carriers responsible for calls completed to SBR customers does nothing to improve the reliability of call completion data supplied by SBRs and will also ultimately fail to satisfy PSPs.

In the absence of automatically receiving call completion data for calls handed off to SBRs, underlying carriers would be required to implement a system of manual data collection from hundreds of SBR customers in order to determine the amount of payphone compensation owed to PSPs. Any single call made from a payphone could be handed off to numerous SBRs. Each time it is handed off, the call is reoriginated with a new call record with its own completion data. Underlying carriers would have to match the delivered call record to the reoriginated call record through every SBR in the chain until the call arrived at the final local exchange carrier switch and answer supervision data revealed whether the call was completed. Underlying carriers would also have to expend substantial additional resources establishing and enforcing standardized manual data feed protocols from SBRs, and verifying and correcting faulty data in time to meet tight quarterly compensation deadlines. WorldCom, Inc. ("WorldCom") estimates that its tracking, compensating, and reporting obligations will increase 15-fold under the Commission's new rules.

A less costly and more reliable payphone compensation regime would permit underlying carriers to compensate PSPs according to calls that can be automatically verified as being completed according to the answer supervision messages they currently receive. This option would drastically reduce the administrative expenses associated with tracking and reporting compensable calls associated solely with SBRs. All parties would benefit from this option. PSPs would receive an assured level of revenues from the SBR industry segment; SBRs would not face significantly higher per call surcharges from underlying carriers seeking to recover the infeasible expenses required by the new payphone compensation regime; and underlying carriers and PSPs would have far fewer disputes that would need to be resolved by the Commission or the Courts.

WorldCom also seeks clarification that underlying carriers may manage the risk associated with their obligation to compensate on behalf of SBRs by requiring SBRs seeking to directly compensate PSPs to obtain a significant number of such agreements and a commitment to pay all PSPs. There are thousands of PSPs. If an SBR wished to compensate only five or ten PSPs, WorldCom would be required to substantially modify its billing, tracking and reporting systems to be able to compute a bill, not only based on payphone calls sent to an SBR, but also based on which payphone originated the call. This introduces tracking and bill computation at a much finer level of disaggregation, a process that would greatly add to the cost. It would be administratively infeasible and irrational to require underlying carriers with many SBR customers to incur such substantial expenses to serve only a few direct pay relations between PSPs and SBRs.

In its Second Order on Reconsideration the Commission required underlying carriers to report compensable calls by each dial-around number called for every PSP payphone. This requirement will increase storage costs associated with reporting by as much 15 fold. Underlying carriers and PSP representatives have agreed that if the Commission were to agree that a call is completed when the underlying carrier receives a call completion signal from its answer supervision system, the appropriate level of reporting would include a statement indicating the volumes of compensable calls for each payphone, broken down into four categories of compensable calls: 1) subscriber toll-free calls; 2) prepaid card calls completed by the underlying carrier; 3) 0+ completed by the underlying carrier; and 4) access code calls completed by the underlying carrier. Call completion percentages for the above-mentioned categories would also be provided, and if feasible, would be provided based on payphone calls.

Finally, WorldCom asks for the Commission to reconsider the deadline for tracking obligations to become effective. Since payments are currently due at the beginning of calendar quarters, there is no need for the new tracking capabilities to be in place any earlier than the beginning of the first quarter following November 27, 2001, i.e., January 1, 2002. In addition, reports regarding compensable calls cannot be delivered until tracking capabilities are developed, and then used to determine a compensation amount for a subsequent compensation quarter, WorldCom concludes that the first report to PSPs would be due at the same time as the first payment calculated using the new tracking system obligation, viz., July 1, 2002.

II. Background

In its Second Order on Reconsideration,[1] the Commission modified its long-standing rule requiring the carrier with facilities closest to the called party to pay and provide per-call tracking for compensable payphone calls.[2] Under the former rules, a resale carrier who did not control a switch, i.e. a pure reseller, would not be responsible for payphone compensation. On the other hand, a reseller with a switch, a switch-based reseller ("SBR"), would be responsible for payphone compensation. In its recent Second Order on Reconsideration, the Commission modified this distinction between pure resellers and SBRs, and required the first carrier to whom a compensable payphone call was routed ("underlying carrier") to be responsible for payphone compensation. The Commission also required underlying carriers to track and report toll free and access code numbers delivered from every LEC and the volume of these calls by payphone for each payphone service provider (PSP).

The Commission justified these changes in order to more completely ensure that PSPs receieved the appropriate amount of payphone compensation. First, the Commission noted that it was technically infeasible for PSPs *automatically* to receive information whether a payphone call passed from an underlying carrier to an SBR was completed.[3] The inability to automatically determine which SBR ultimately carried a call on the last leg of its journey, and then whether the call was completed, made it impossible for PSPs to accurately determine the amount of

---

[1] Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, Second Order on Reconsideration ("Second Order on Reconsideration"), CC Docket No. 96-128, Released April 5, 2001

[2] Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, First Order on Reconsideration ("First Order on Reconsideration"), CC Docket No. 96-128, Released November 8, 1996 at & 92.

[3] Second Order on Reconsideration at &15.

compensation they were owed and from whom they should collect it. Second, the Commission noted that its rules relied on SBRs being willing to follow the law by voluntarily identifying themselves to PSPs as being responsible for payphone compensation. The Commission stated that due to a lack of incentive, many SBRs failed to identify themselves and comply with the Commission's rules.[4] Consequently, PSPs were not fully compensated for the use of their payphones.

III. The Second Order On Reconsideration Failed To Establish a Workable Compensation, Tracking, and Reporting Regime

A. The Technical Infeasibility For Underlying Carriers To Automatically Receive Call Completion Data From SBRs Will Continue The Uncertainty and Conflicts That Have Plagued the Industry To Date

1. The Commission's new compensation policy ignores the technical infeasibility of the underlying carrier automatically receiving call completion data from SBRs

In spite of the fact that the Commission identified the technical infeasibility of PSPs automatically receiving call completion data from SBRs as a primary reason it required underlying carriers to be responsible for tracking, compensating, and reporting SBR calls, the Commission's new compensation policy completely ignores the technical infeasibility of the underlying carrier automatically receiving call completion data from SBRs. Logic dictates if PSPs' inability to automatically verify where and whether a call was completed to an SBR customer was responsible for the breakdown of the former payphone compensation regime, the technical infeasibility of underlying carriers gaining access to the same information will be responsible for a breakdown in the new compensation regime.

---

[4] Id., at &15.

2. Making underlying carriers responsible for calls completed to SBR customers will ultimately fail to satisfy PSPs

Making underlying carriers responsible for calls completed to SBR customers will ultimately fail to satisfy PSPs. Under the regime contemplated by the Commission, underlying carriers will compensate PSPs based on the manually supplied completed call data they receive from SBRs. In the past, PSPs have not been satisfied with the accuracy of this type of completed call data. The American Public Communications Council (APCC) reports that during the year 2000, it sued 18 resellers for failing to pay the expected amount of compensation.[5]

The Commission has now placed underlying carriers in between the SBR and the PSP. Rather than the SBR directly delivering manual call completion data to the PSP, it will now deliver the its call completion data to the underlying carrier, who will then make it available to the PSP. Shifting the payphone compensation responsibility to the underlying carrier does nothing to improve the reliability of the call completion data delivered by SBRs. There is no reason to believe PSPs will now have greater confidence they are being accurately compensated for calls passed to SBRs.

PSPs will continue to dispute the accuracy of SBR call completion data, only now their dispute will first be taken to the underlying carrier. Underlying carriers will then explain they do not receive automatic answer supervision from calls handed off to SBRs. Once handed off to an SBR, the call is reoriginated, thereby generating a new call record with completion information separate from the underlying carrier's call record. Existing switches are not designed to follow a payphone call through various SBR switching platforms so that the answer supervision received

---

[5] American Public Communications Council, July 28, 2000 Ex Parte, CC Docket No. 96-128, NSD File L-99-34. See also: "Payphone Service Providers File Suit Against Prepaid Card Company," Washington Telecom Newswire,

on the first (underlying carrier) call leg reflects the disposition of the call on the final leg of the call. Unable to automatically and independently determine whether a call has been completed to an SBR customer, the underlying carrier will have no choice but to rely on call completion data provided by SBRs. Since the Commission's Order on Reconsideration does nothing to ensure that SBR's have adequate tracking processes in place, PSPs will continue to dispute the accuracy of SBR reporting of compensable calls.

B. The Commission Should Modify The Definition of Completed Call To Calls That Are Automatically Verified As Completed By The Carrier Responsible For Compensating PSPs

1. The new compensation regime will magnify the administrative complexity and expense of tracking and reporting compensable calls many-fold

The Second Order on Reconsideration requires underlying carriers to implement a system of manual data collection from hundreds of SBR customers in order to determine the amount of payphone compensation owed to PSPs. This new payphone compensation regime will not only reproduce the disputes that characterized the former compensation regime, it will also magnify the administrative complexity and expense of tracking and reporting compensable calls many-fold, both for underlying carriers and SBRs. The Commission's new compensation regime is administratively infeasible as well as being technically infeasible. These higher administrative costs will be passed along, first to SBRs, and then to their customers.

The Commission's new payphone compensation regime is extremely data intensive. Any single call made from a payphone could be handed off to numerous SBRs. Each time it is handed off, the call is reoriginated with a new call record. Underlying carriers would have to

September 8, 1999; Payphone Association Sues Calling Card Provider For Payments, Washington Telecom Newswire, February 22, 1999.

match the delivered call to the reoriginated call through every SBR in the chain until the call arrived at the final local exchange carrier switch and answer supervision data revealed whether the call was completed. WorldCom has over 300 SBR customers, who carry approximately 25 million potentially compensable calls every month. The sheer volume of call records and companies involved arithmetically increases the matching expense.

WorldCom estimates its annual payphone compensation administrative expenses (including tracking as well as reporting expenses) will increase by 15-fold in order to manage the added complexity of tracking and reporting SBR compensation. Reporting costs will be discussed in Section D below. Payphone tracking costs will substantially increase under the Commission's new rules. First, SBRs do not provide call completion data in a standard format that may be consistently evaluated and utilized by underlying carriers. These would need to be developed, and approved by industry parties, and then subject to service level agreements between each underlying carrier and each SBR.

Second, payphone compensation is required on a quarterly basis. Underlying carriers have been able to meet tight quarterly compensation deadlines because they were able to rely on automatic call completion data from their own answer supervision systems to process the millions of calls sent over their networks each month. Ad hoc delivered data will substantially add to the processing time needed to handle SBR calls. An increase in data feeds from SBRs will increase the amount of time it takes underlying carriers to summarize call counts for payphone compensation payments. Ad hoc delivered data from SBRs will also have errors that will require checking and resubmission to the underlying carrier. The extra processing time involved with ad hoc delivered SBR data will prevent underlying carriers from being able to submit all data associated with these calls on time to meet quarterly compensation deadlines, unless they hire many additional employees and substantially modify their tracking systems, at great expense, to incorporate and validate SBR data feeds. Even though these new costs would be passed on to the SBRs, underlying carriers would still be required to expend considerable resources on these changes and will incur an ongoing administratrive burden for monitoring and coordinating data exchanges.

SBRs will also have significant new costs in the new payphone compensation regime. SBRs that may have already built payphone compensation systems for their payments under the former rules will need to invest in greatly expanded data storage and tracking facilities to comply with the new reporting requirements; as well as additional employees to validate data, audit data storage and tracking outcomes, coordinate data exchange with the underlying carriers, and resolve inquiries under the new compensation regime. SBRs that have not built payphone compensation systems will have even greater expenses under the new compensation regime.

2. Defining completed calls according to receipt of answer supervision messages provides the most administratively efficient method of payphone compensation

The additional expense of complying with the Commission's tracking, compensation, and reporting requirements associated solely with SBRs is substantial. A less costly, and more reliable, regime would permit underlying carriers to compensate PSPs according to calls that can be automatically verified as being completed according to the answer supervision messages they currently receive.[6] A simple rule would be the basis for defining completed calls: completed calls are calls that appear completed according to the automatic answer supervision of the party

[6] See WorldCom Petition For Declaratory Ruling And Petition For Reconsideration ("Petition"), Second Order on Reconsideration in the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, RBOC/GTE/SNET Payphone Coalition Petition for Clarification, CC Docket No. 96-128, NSD File No. L-99-34 at 2.

responsible for payphone compensation. According to this proposal, underlying carriers would compensate PSPs for subscriber and access code calls completed to an end user on their network, since underlying carriers' answer supervision systems would automatically signal every time a potentially compensable call was actually completed. PSPs would also be compensated for calls handed off to SBRs, even if some of these calls were not completed to an SBR's end user, since underlying carriers' answer supervision systems would automatically signal that these calls were completed once they were received by the SBR.

WorldCom has worked with other interexchange carriers (IXCs) and PSPs to give the proposal first offered in its Petition additional flexibility. WorldCom is supporting rule language submitted in APCC's Comments, which gives PSPs and underlying carriers the option of: 1) compensating and surcharging for all calls handed off to SBRs with streamlined reporting requirements, or 2) compensating and surcharging for calls completed to SBR's end user customers with the reporting requirements essentially contained in the Commission's Second Order on Reconsideration.[7]

This proposal has a number of advantages. First and foremost, it would drastically reduce the administrative expenses associated with tracking and reporting compensable calls associated solely with SBRs that would otherwise be passed along to SBRs and ultimately their customers. Second, it would yield PSPs an assured level of revenues from this industry segment, which was the Commission's primary goal in the Second Order on Reconsideration. Third, it would be consistent with Congress' desire to promote the widespread deployment of payphones. Fourth, it would be consistent with accepted industry practice. WorldCom understands that

---

[7] See Proposed Rule in APCC Comments.

AT&T has been compensating PSPs for calls handed off to SBRs in this fashion since the beginning of per-call compensation in 1997. WorldCom is not aware of any formal complaints lodged, either by PSPs or SBRs, against this practice of AT&T. Fifth, it would equitably assess the additional administrative costs mandated by the Commission's decision to make underlying carriers responsible for all payphone compensation on the parties causing the additional expense, namely SBRs. WorldCom's proposal requires SBRs to compensate PSPs for calls that may not be completed to their end users. There is nothing unfair or unreasonably discriminatory about this outcome, since the additional expenses associated with the Commission's new mandate result from the need for underlying carriers to compensate on behalf of SBRs.[8] In addition, in many cases SBRs should be able to easily recover these payphone compensation costs from their customers. Finally, it gives underlying carriers who may not have many SBRs, or who have SBRs that have spent the sums necessary to develop reliable computer, tracking, and reporting capabilities, the flexibility of compensating PSPs and surcharging SBRs for calls completed to SBR customers, provided PSPs also find the SBR's call completion processes to be reliable.

C. The Commission Should Clarify That Underlying Carriers May Manage Their Risk When SBRs Claim To Be Directly Compensating PSPs

In its Second Order on Reconsideration the Commission stated that it did "…not intend to nullify private contractual arrangements to which PSPs have already agreed, if all involved parties wish to continue them."[9] WorldCom considers underlying carriers to be one of the parties necessarily involved in the decision as to whether SBRs may directly compensate PSPs

---

[8] If underlying carriers are not given an alternative to compensating PSPs for calls completed to SBR end users, they may be required to place a significantly higher surcharge specific to SBRs in order to recover the additional expenses associated with compensating on behalf of SBRs.

[9] Second Order on Reconsideration at &19.

without being surcharged by underlying carriers. If underlying carriers are not notified of the existence of such an agreement, it is possible they would continue to track, compensate, and report to PSPs, and attempt to surcharge SBRs for these costs. PSPs could be overcompensated and underlying carriers or SBRs might be overcharged. Once these overpayments were identified, subseqeunt adjustments by the underlying carrier would engender industry confusion.

Even if underlying carriers were notified of the existence of a direct compensation arrangement between PSPs and SBRs, it is unclear what type of notification would absolve the underlying carrier of any future liability in the event the SBR goes out of business, or a dispute arises between the PSP and the SBR regarding the appropriate amount of compensation. If an SBR verbally notified an underlying carrier it intended to compensate PSPs, would that suffice to allow underlying carriers to refrain from compensating PSPs for calls passed to that SBR? Would such notification permit underlying carriers to be absolved of any future liability to compensate PSPs in the event the SBR went out of business, refused to compensate the PSP, or a dispute arose between the PSP and the SBR concerning the correct amount of payphone compensation?

WorldCom has developed several notification documents that give the underlying carrier confidence they may refrain from compensating PSPs for calls passed to SBRs. Attachment 1 below, entitled PSP Release Form, affirms that the PSP releases WorldCom from future liability associated with payphone calls it passes to an SBR involved in a direct payment relation with a PSP. Attachment 2 below, entitled Payphone Indemnification Form, affirms that the SBR will compensate for completed payphone calls passed to the SBR switch and will indemnify WorldCom against future claims for such calls.[10]

In addition to formalizing the terms under which underlying carriers are released from payphone obligations, WorldCom's Indemnification Form also requires SBRs seeking to directly compensate PSPs to obtain approval from the 11 largest PSPs and PSP aggregators. Together they account for approximately 90 percent of the approximately 3,600 PSPs in the country. This requirement is included to ensure that underlying carriers' administrative costs associated with not paying PSPs remain reasonable. WorldCom's payphone surcharge billing systems develop bills according to payphone calls sent to its reseller customers. It would be feasible to insert a flag associated with an SBR to either surcharge or not surcharge for calls sent that carry payphone specific coding digits. However, if an SBR wished to compensate only five or ten PSPs, but not the other 3,590, WorldCom would be required to substantially modify its billing, tracking and reporting systems to be able to track calls and compute a bill, not only based on payphone calls sent to an SBR, but also on which payphone originated the call -- a process complicated by changing ownership associated with individual payphones, additional payphones being brought into circulation by PSPs, and payphones being discontinued by PSPs. This introduces tracking and bill computation at a much finer level of disaggregation, a process that would greatly add to the cost.

WorldCom submits that it would be administratively infeasible and irrational to require underlying carriers with many SBR customers to incur such substantial expenses to serve only a few direct pay relations between PSPs and SBRs. Other underlying carriers may have very few

[10] These principles are formally expressed in APCC's proposed rule, Section 64.1310(a)(4).

SBR customers and may find it administratively feasible to handle a few individual agreements between PSPs and SBRs. These other carriers will provide a competitive alternative to WorldCom's intended method of managing the risk associated with direct compensation agreements between SBRs and PSPs. WorldCom seeks clarification that the attached forms are one acceptable method underlying carriers may manage the risk associated with their obligation to compensate on behalf of SBRs when SBRs claim they are directly compensating PSPs.

D. There Is Broad Consensus About The Desirability Of Simplifying Reporting Requirements, Provided The Commission Modifies The Definition Of A Completed Call

The Second Order on Reconsideration's reporting rules would prohibitively increase reporting storage requirements. Currently, carriers report the number of compensable calls by payphone for each month in a compensation quarter. The requirement to further break out compensable calls by each dial-around number called for every PSP will increase storage costs associated with reporting by a factor equal to the average number of dial-around numbers called from a payphone, a factor that could increase WorldCom's storage requirements by as much 15 fold.

It is not necessary for the Commission to impose these additional costs on underlying carriers, which in turn would be passed along to their customers. The reasons for prior disputes between PSPs and carriers regarding the number of compensable calls are primarily attributable to: 1) uncertainty surrounding the number of compensable calls given the need to perform surrogate estimates due to the slow and irregular manner in which local exchange companies (LECs) implemented FLEX ANI; and 2) uncertainty surrounding the number of calls completed by SBR customers. Now that FLEX ANI is complete for all intents and purposes, there is no longer a need to perform uncertain surrogate estimates of calls completed on the underlying carrier's network.

By adopting the definition of completed calls recommended above, the Commission would eliminate uncertainty surrounding the number of calls completed to SBR end user customers, and thereby also reduce the need for administratively infeasible reports to PSPs. Since publication of the Second Order on Reconsideration, WorldCom and other underlying carriers have worked with one of the largest PSP aggregators (APCC), and other large PSPs, to arrive at a level of reporting with sufficient detail to give PSPs the ability to determine whether compensated call volumes are reasonable and, at the same time, requires an administratively practical amount of systems modification by underlying carriers.

Underlying carriers and PSPs have agreed that if the Commission were to agree that a call is completed when the underlying carrier receives a call completion signal from its answer supervision system, the appropriate level of reporting would include a statement indicating the volumes of compensable calls for each payphone, broken down into four categories of compensable calls: 1) subscriber toll-free calls; 2) prepaid card calls completed by the underlying carrier; 3) 0+ completed by the underlying carrier; and 4) access code calls completed by the underlying carrier. Call completion percentages for the above-mentioned categories would also be provided, and if feasible, would be provided based on payphone calls.[11] This level of reporting is still significantly more detailed than former reporting requirements. Underlying carriers would still be required to report copmensable calls for each PSP's payphones, as contemplated by the Commission's new rules. On the other hand, underlying

---

[11] See APCC Comments, Proposed Rule, Section 64.1310(a)(2).

carriers would not be required to report compensable call data for every dial-around number called from a payphone.

The Commission should also take this opportunity to clarify that carriers are required to report compensable calls, rather than all calls routed to carriers. While the language in paragraph 11 of the Second Order on Reconsideration states that reporting by underlying carriers should be limited to coinless, compensable calls, the new rule language suggests that underlying carriers are required to report all calls delivered by the LEC, including non-compensable calls.[12] System development costs to include incomplete and coin sent paid calls and the tracking and storage costs associated with non-compensable calls could easily result in costs twice what would otherwise be incurred, and amount to an unnecessary and unreasonable burden.

E. The Commission Should Link Tracking and Reporting Capabilities to Quarterly Compensation Dates

Finally, WorldCom petitioned the Commission to reconsider the deadline for tracking obligations to become effective.[13] Current rules require tracking capabilities to be in place by November 27, 2001. Since payments are currently due at the beginning of calendar quarters, there is no need for the new tracking capabilities to be in place any earlier than the beginning of the first quarter following November 27, 2001, i.e., January 1, 2002.

In addition, reports regarding compensable calls cannot be delivered until tracking capabilities are developed, and then used to determine a compensation amount for a subsequent compensation quarter, WorldCom concludes that the first report to PSPs would be due at the

[12] *See,* new 47 C.F.R. § 64.1310(a).

[13] WorldCom Petition at 6.

same time as the first payment calculated using the new tracking system obligation, viz., July 1, 2002. WorldCom requests the Commission clarify the date by which the first PSP report is due.

IV. Conclusion

WorldCom urges the Commission to adopt the positions advocated herein.

Sincerely,

Larry Fenster

Larry Fenster
1133 19th St., NW
Washington, DC 20036
202-736-6513

Attachment 1 – PSP Release Form

MCI WORLDCOM Network Services, Inc.
6929 North Lakewood Avenue; M.D. 5.1.304
Tulsa, Oklahoma 74117

Attn: Wholesale Services Contract Management

To Whom It May Concern:

The undersigned is a payphone service provider (PSP), or authorized agent of the PSP(s) listed below, and acknowledges that it has entered into a mutual agreement with ________________________ ("Customer"") that provides, among other things, that the Customer will directly compensate it for all payphone surcharges (hereinafter referred to ``Exempt Surcharges") related to calls that originate from payphones and are delivered by MCI WORLDCOM Network Services, Inc. ("MCI") to the Customer's switch/platform for completion. Consequently, the undersigned will not seek compensation from MCI or any of its affiliates for Exempt Surcharges. The undersigned will still be compensated directly by MCI for calls that are originated from its payphones and completed by MCI.

In connection therewith, the undersigned, on its own behalf and on behalf of its officers, directors, partners, employees, agents, shareholders, subsidiaries, predecessors, successors, affiliates and assigns, and partnerships and corporations acting in concert or participating with it, hereby releases and discharges fully and forever MCI, its officers, directors, partners, employees, agents, shareholders, subsidiaries, predecessors, successors, affiliates and assigns, individually and collectively, of and from any and all claims, demands, damages, causes of action, debts, obligations, liabilities or controversies of any kind whatsoever, whether at law or in equity, whether before a local, state or federal court, arbitrator or state or federal administrative agency or commission, that the undersigned may have against MCI arising under or in any way related to the compensation of Exempt Surcharges.

Sincerely, ___________________________________
("PSP(s)")

By: ________________________________

Print Name: _________________________

Title: _______________________________

Date: _______________________________

Attachment 2 – Payphone Indemnification Form

MCI WORLDCOM Network Services, Inc.
6929 North Lakewood Avenue; M.D. 5.1.304
Tulsa, Oklahoma 74117

Attn: Wholesale Services Contract Management

To Whom It May Concern:

____________________ (“Customer"”) acknowledges that as of October 1, 2001, MCI WORLDCOM Network Services, Inc. (“MCI"”) will charge all of its wholesale customers a payphone surcharge in the amount of $0.26 per call on all calls that originate from a payphone (including payphone calls that are only originated by MCI). The payphone surcharge covers the compensation owed to payphone service providers (PSPs) plus MCI's costs associated with making these payments to the PSPs. Customer further acknowledges that it has its own switch/platform, that it receives certain calls from MCI that originate from a payphone which calls are delivered to its switch/platform for completion, and that all of these calls are subject to the payphone surcharge.

This letter will serve as notice to MCI that Customer elects to directly compensate all PSPs for payphone surcharges (hereinafter referred to ``Exempt Surcharges") related to calls that originate from payphones and are delivered by MCI to the Customer's switch/platform for completion. In reliance upon such representation, MCI agrees to not charge Customer for the Exempt Surcharges upon receipt of a signed copy of this letter AND receipt of the PSP Letters (described below). Customer acknowledges that MCI will directly compensate the PSPs for Customer's calls that are originated from payphones and terminated by MCI (and that do not in any way involve Customer's switch/platform), and that MCI will charge Customer the payphone surcharge described above for such calls.

In connection herewith, Customer agrees to forever indemnify and hold MCI and its affiliates harmless from and against any and all claims, demands, suits, actions, losses, damages, assessments or payments which may be asserted by third parties (including without limitation, PSPs) arising out of or relating to the compensation of Exempt Surcharges. Additionally, Customer understands and agrees that MCI may provide information to third parties (including PSPs) relating to calls from payphones that are subject to an Exempt Surcharge. MCI should direct all inquiries relating to Exempt Surcharges to the following:

Customer Name: __________________________
Address: __________________________ __________________________
Contact Name: __________________________
Telephone No.: ___-___-____
E-Mail Address: __________________________

Customer agrees to provide MCI letters (collectively, the ``PSP Letters") from each of the PSPs shown on Schedule A attached hereto. Each PSP Letter will verify that Customer has entered into a mutual agreement to directly compensate the PSP for Exempt Surcharges, that the PSP will not seek payphone compensation from MCI or its affiliates for such calls, and that the PSP releases MCI and its affiliates from any liability for Exempt Surcharges. Provided MCI receives an executed copy of this letter and the PSP Letters referenced herein on or before September 14, 2001, MCI agrees to not bill Customer for the Exempt Charges as described herein commencing October 1, 2001. In the event MCI receives a signed copy of this letter and/or the PSP letters after such date, MCI will bill Customer for the Exempt Charges (and Customer will be liable for such Charges) until the first day of the calendar quarter following at least fourteen (14) days after the date MCI receives an executed copy of this letter and the PSP Letters.

Sincerely, ________________________________

("Customer")

By: _____________________________

Print Name: ______________________

Title: ____________________________

Date: ____________________________

SCHEDULE A -- List of Payphone Service Providers

APCC
Ruth Jaeger
10302 Eaton Place Suite 340
Fairfax, VA 22030
703.385.5300
rjaeger@apcc.net

BellSouth Public Communications
John Golden
75 Bagby Drive, 2nd Floor
Homewood, AL 35209
205.943.2593
john.golden@bspc.bls.com

Bulletins
Paul Brooks
125 State St. South
Kirkland, WA 98033
800.856.4515
pbrooks@npanxx.com

Data Net Systems, LLC
Ed Kilb
1508 Barclay Blvd
Buffalo Grove, IL 60089
847.808.0288 ext 112
edkilb@dnsys.com

Jaroth, Inc.
Thomas Keane
14472 Wicks Boulevard
San Leandro, CA 94577
510.347.3670
TomK@pacificcoin.com

Private Payphone Owners Network
Alan Goodsite
4401 S. Decatur #37-384
Las Vegas, NV 89103
702.233.4414
pponet@aol.com

Qwest Public Access Solutions
Larri Menear
Rm 2603
1600 7 th Avenue
Seattle, WA 98191
206.345.4841
lmenear@qwest.com

SBC Public Communications
Rodger McDowall
Floor 15C
225 West Randolph Street
Chicago, IL 60606
312.220.8886
rodger.mcdowall@ameritech.com

Sprint Payphone Services Inc.
Valerie Wright
KSOPHM0310-3A460
6480 Sprint Parkway
Overland Park, KS 66251
913.315.7842
valerie.wright@mail.sprint.com

TON Services
Joe Kelley
Suite 301
4185 Harrison Blvd
Ogden, Utah 84403
801.334.4522
joe.kelley@tonservices.com

Verizon Public Communications
Connie Williams
HQW01N01
700 Hidden Ridge
Irving, TX 75038
972.718.3034
Williams.connie@verizon.com

Statement of Verification

I have read the foregoing and, to the best of my knowledge, information and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct.

Executed on October 9, 2001

Larry Fenster

Larry Fenster

Service List

I hereby certify that on October 9, 2001, a copy of these Comments was delivered by first-class mail to the following parties:

Richard Rubin
AT&T Corp.
Room 1127M1
295 N. Maple Avenue
Basking Ridge, NJ 07920

Michael J. Shortley, III
Global Crossing
180 South Clinton Avenue
Rochester, NY 14646

Qualex International*
c/o FCC
445 12th Street, SW
Room CY-B402
Washington, DC 20554

____
L. Elizabeth Bryant

* Hand Delivered